



Analysis of Past Performance Relative to Requested and Approved Rate Factors – June 2011

As part of the 2011 rate factor review, the Office of the Health Insurance Commissioner has assessed actual past performance as compared to rate factors requested and approved for percentage of premium contributed to reserves, administrative expense per member per month (PMPM), and medical loss ratio (MLR).

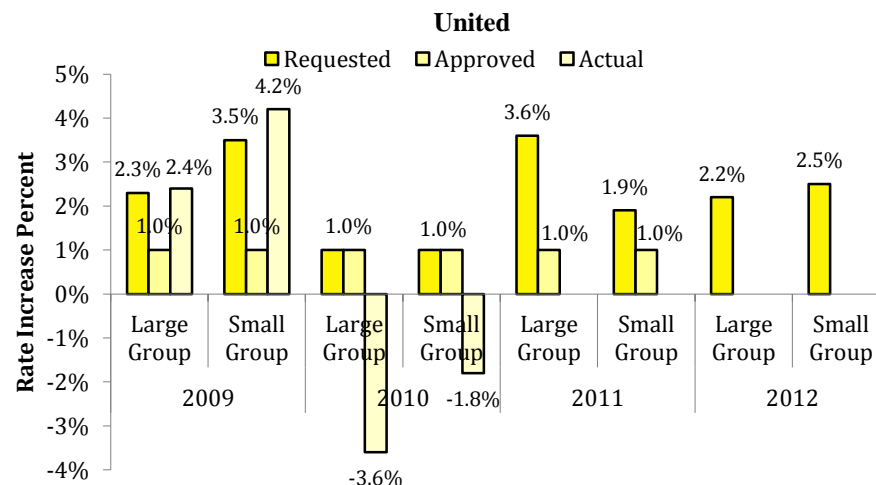
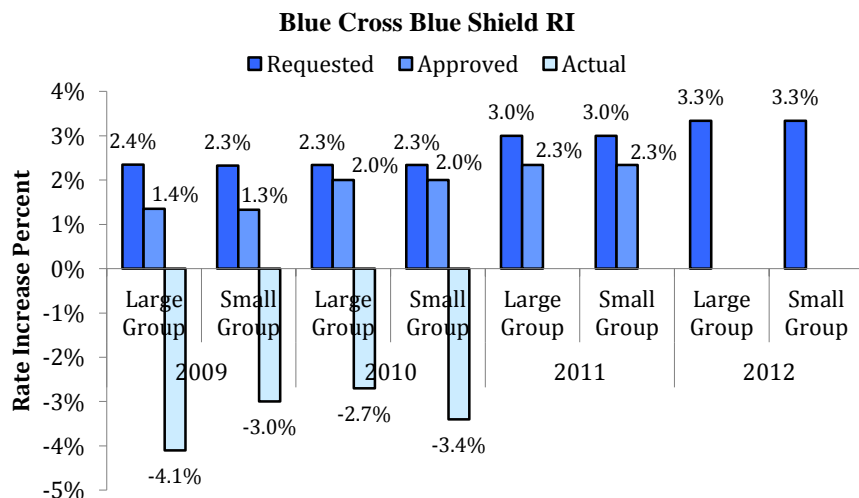
Methodology

To compile this report, all data were as reported by each carrier in their rate filings (OHIC did not independently audit this data).

- Contributions to reserves: Actual = (earned premium - claims – expenses) as a percent of premiums. Filed and approved were taken directly from the filing.
- Admin PMPM: Actual = reported total admin dollars divided by total member months. Filed were taken directly from filing. Approved PMPM = (percent admin approved divided by the percent admin filed) multiplied by the admin PMPM filed.
- MLR: Actual = claims reported divided by earned premium. Filed and approved MLRs = (100% - contributions to reserves - administrative expense).

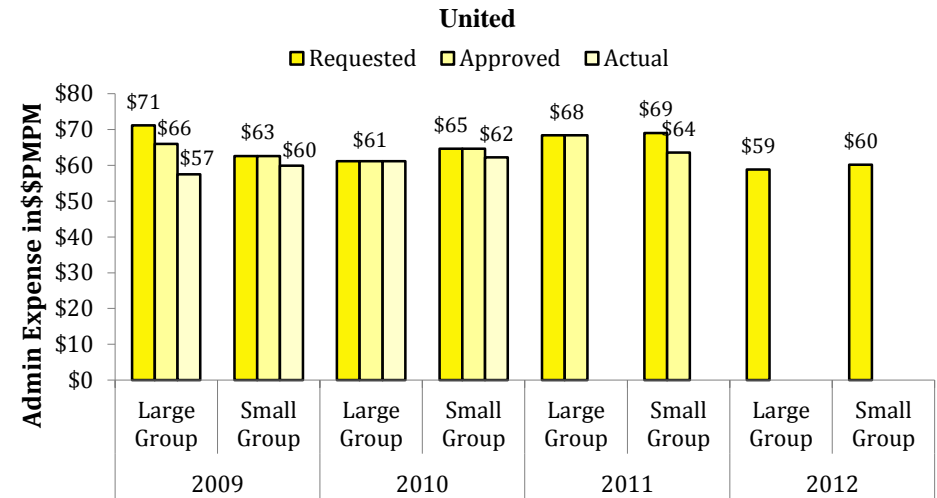
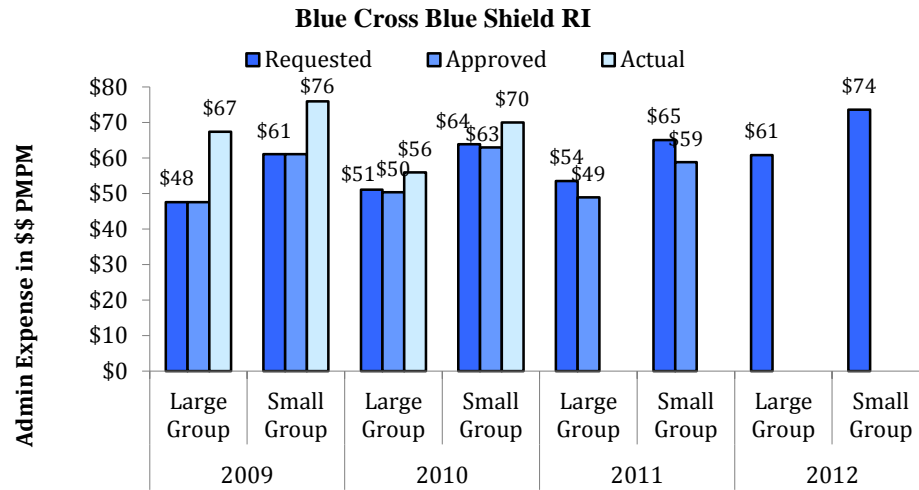
Contributions to Reserves

BCBSRI's actual contributions to reserves were approximately five percentage points lower than approved in both 2009 and 2010. United's contributions to reserves were greater than approved in both small and large group markets in 2009, but were three to four percentage points lower than approved in 2010.



Administrative Expenses

BCBSRI's actual administrative expenses PMPM were significantly higher than their approved rate (\$15-19 PMPM higher in 2009 and \$6-7 PMPM in 2010). United's actual administrative expenses were lower than their approved rate in 2009 (\$3-9 PMPM) and equal to or slightly lower than approved in 2010 (\$3 PMPM).



Medical Loss Ratio (MLR)

Both BCBSRI and United have generally experienced higher actual MLRs than each carrier requested. BCBSRI's actual MLR was approximately one to two percentage points higher than approved in 2009 and four percentage points higher than approved in 2010. United's MLR was approximately three percentage points higher than approved in 2009 for large group but three percentage points lower in small group, and four to six percentage points higher than approved in 2010.

